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IN THE

Supreme Court of the United States

OCTOBER TERM, 1946.

No. 504.

JAMES MARR, doing business as MARR DUPLICATOR COMPANY,

Petitioner,

v.

A. B. DICK COMPANY,

Respondent.

BRIEF IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI.

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A. B. DICK COMPANY,
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BRIEF IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI.

The opinions below are reported at 155 F. (2d) 923 (C. C. A. 2) and 48 F. Supp. 775 (D. C., S. D. N. Y.).

The decision which the Petition asks this Court to review is an affirmance of a final judment in a patent case entered at the conclusion of an accounting and awarding $18,799.40 as profits made by the petitioner in infringing the patent before its expiration.

The judgment contains no injunction as the patent had expired before it was entered (R., p. 1157).

The decision is supported by concurrent findings of fact of a master, a district court and a circuit court of appeals (R., pp. 1085-1120, pp. 1152-1156, pp. 1196-1206; see *Goodyear Tire & Rubber Co.* v. *Ray-O-Vac Co.*, 321 U. S. 275, 278).

SUMMARY OF ARGUMENT.

1. The validity of the patent is not in issue in the present case. The patent has been held valid in three circuits. In the present case, the petitioner has not questioned the validity in any of the proceedings below (R., pp. 3, 1198; 155 F. (2d) 925).

2. There is no conflict of decisions on the patent. In the present case, the trial judge, the master, the judge who passed on the master's report, and the circuit court of appeals all gave to the patent the same construction that had been given to it in four previous circuit court of appeals decisions in three circuits (*Infra*, pp. 2-7).

3. No novel or undecided questions of law are raised (*Infra*, pp. 7-14).

THERE IS NO CONFLICT OF DECISIONS ON THE PATENT.

The patent has been sustained by the circuit courts of appeals of three circuits after a full examination of prior patents and alleged prior uses (*A. B. Dick Co.* v. *Simplicator Corp.*, 34 F. (2d) 935, 936-940, C. C. A. 2; *Arlac Dry Stencil Corp.* v. *A. B. Dick Co.*, 46 F. (2d) 899, 900, 902, C. C. A. 3; *Heyer Duplicator Co.* v. *A. B. Dick Co.*, 59 F. (2d) 787, 788, C. C. A. 7), and found by each of them to cover a meritorious invention. The claims here in issue have been held valid, and no claims of the patent have been adjudged invalid (*A. B. Dick Co.* v. *Simplicator Corp.*, 34 F. (2d) 935, 941; see *Ensten* v. *Simon, Ascher & Co.*, 282 U. S. at page 453). The courts have scrupulously limited the patent in accordance with the terms of its claims:

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Subject-matter of patent: A stencil sheet has a base of open tissue paper through which ink will pass freely. This base is covered with a coating which is impervious to ink. The coating must be strong enough to permit handling of the sheet and introducing it into various machines. At the same time, the coating must be fluid enough to be pushed aside by the type of a typewriter without tearing the fibres of the tissue paper base. This permits the typewriter type to make openings in the coating corresponding to the face of the type and leaves the tissue paper fibres extending across the openings to hold in the centers of the O's and other loop letters.

The stencil sheet described in the patent in suit had a coating possessing these two antagonistic qualities to a degree not previously obtained. The coating consisted of a cellulose compound—nitrocellulose, which is ordinarily a hard substance such as celluloid—and soft oily material amounting to several times the amount of nitrocellulose. These ingredients did not react chemically but entered a physical combination providing a coating which was at the same time strong and easily pushed aside.

Claims construed by courts: The claims of the patent here in issue describe the coating as consisting of a "cellulose compound" or "cellulose ester" (both accurate descriptions of nitrocellulose) and a "tempering agent". The latter expression was well understood in the stencil art ("The art knew what a tempering agent was" *Arlac Dry Stencil Corp.* v. *A. B. Dick Co.*, 46 F. (2d) 899, 901, C. C. A. 3), and the courts easily ascertained its meaning from the specification of the patent. As pointed out in their various opinions, the courts concurred in finding that a tempering agent meant a relatively large proportion of a material

such as an oil, that is, a material having the physical, but not necessarily the chemical, properties of an oil (*A. B. Dick Co.* v. *Shallcross Co.*, 42 F. (2d) 169, 171, C. C. A. 2; *Arlac Dry Stencil Corp.* v. *A. B. Dick Co.*, 46 F. (2d) 899, 901, C. C. A. 3; *Heyer Duplicator Co.* v. *A. B. Dick Co.*, 59 F. (2d) 787, 788, C. C. A. 7).

In applying the claims to various alleged infringements which were brought before them, the courts have without exception adhered to this construction of the claims. A stencil sheet containing a cellulose compound and a tempering agent consisting of a large proportion of castor oil was held an infringement (*A. B. Dick Co.* v. *Simplicator Corp.*, 34 F. (2d) 935, C. C. A. 2). Stencil sheets containing a cellulose compound and a tempering agent consisting of a large proportion of oleic acid, which has the physical but not the chemical properties of an oil, were held infringements (*A. B. Dick Co.* v. *Shallcross*, 42 F. (2d) 169, 171-172, C. C. A. 2; *Arlac Dry Stencil Corp.* v. *A. B. Dick Co.*, 46 F. (2d) 899, 902, C. C. A. 3; *Heyer Duplicator Co.* v. *A. B. Dick Co.*, 59 F. (2d) 787, 788, C. C. A. 7).

On the other hand, a stencil sheet containing a substance, gelatin, which was claimed to be functionally equivalent to a cellulose compound and a tempering agent consisting in part of water (which has no physical or other resemblance to oil), was held outside the scope of the claims (*A. B. Dick Co.* v. *Duplicating Machine & Supply Corp.*, 72 F. (2d) 268, C. C. A. 2). It is significant that this decision of the Circuit Court of Appeals for the Second Circuit passed on two stencils, one of which contained a cellulose compound and a tempering agent consisting of oleic acid, and the other of which contained alleged equivalents of the elements specified in the claim. While the court said

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> "No doctrine of functional efficiency can be extended to give to Hill a monopoly so as to include a stencil having a binder and a tempering agent which is different from that used by Hill" (72 F. (2d) 270),

it nevertheless held the patent infringed by a stencil sheet which contained "oleic acid as a tempering agent" (72 F. (2d) 269, 270), thus making it entirely clear that it adhered to its previous decisions construing "tempering agent" to mean a substance such as an oil, that is, one which had the physical, but not the chemical, attributes of an oil. The decision also makes plain that in giving this meaning to "tempering agent", the court was not applying the doctrine of equivalents but merely giving to a term used in the claim its natural meaning. Thus, the construction of the patent reached in all the decisions is exactly the same.

In seeking to find a conflict where there is no conflict, petitioner is forced to rely on minor verbal differences. Thus, in the seventh circuit the court described oleic acid as material "such as oil" (59 F. (2d) 788), in the third circuit the court referred to it as "oil" (46 F. (2d) 902), and in the second circuit the court applied both of these expressions to oleic acid (42 F. (2d) 171, 172; see Pet., pp. 9, 10). All three courts had before them evidence showing that oleic acid, while not chemically an oil, was physically of an oily nature. Whether such a substance should be termed "an oily material" or "an oil" is a purely subjective question. The two terms have the same meaning as applied to oleic acid.

The other verbal difference to which petitioner calls attention (Pet., p. 7) is also merely subjective. A court, faced with too broad a construction sought by the plaintiff, referred to the patent as "narrow", while a court faced with too narrow a construction sought by the defendant,

referred to the patent as "broad"; but the construction given to the patent, though differently characterized under different circumstances, was identical in the two cases.

Proceedings in the present case: After petitioner's stencil sheet with an oleic acid tempering agent had been held to be an infringement on motion for preliminary injunction, petitioner stipulated infringement as to this sheet and agreed that the trial court should consider a later stencil sheet of petitioner (R., pp. 3, 4). This stencil sheet, according to petitioner's witness at the trial, contained wax, amyl stearate and mineral oil (R., pp. 38, 63, 64). It was held an infringement in the interlocutory decree entered after the trial. In the accounting ordered by the interlocutory decree, the Master considered stencil sheets which, like that before the court at the trial, contained mineral oil, amyl stearate and wax.

The only difference in the issues presented at the trial and in the accounting arose, not from a difference of composition of the tempering agents of the stencil sheets considered (for these were substantially the same), but from a difference in the positions taken by petitioner:

> (1) At the trial, petitioner made no contention that the presence of mineral oil and amyl stearate in its stencil sheet took this stencil sheet outside the term "tempering agent" in the claims. His only defense at the trial was that the method of manufacture used for making petitioner's stencil sheets was like that described in an expired prior art patent, the so-called Dick wax layer patent (Pet. Br., p. 12). The trial court found this defense contrary to the facts and without merit (R., p. 76).
>
> (2) Before the Master, petitioner claimed that the presence of amyl stearate in its stencil sheets

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prevented the material such as oil which they contained from having the mode of operation of the tempering agent included in the claims of the patent. This defense, which could have been, but was not, made at the trial, was held by the Master, the District Court and the Circuit Court of Appeals to be contrary to the facts and without merit.

The decision at the trial and the decision on the accounting were alike in construing the words "tempering agent" in the claims to mean a large proportion of a material having the physical characteristics of an oil and in finding that petitioner's material containing mineral oil, amyl stearate and wax was physically of an oily nature (See Findings 10-19, R., pp. 1154-1155).

THIS CASE RAISES NO NOVEL OR UNDECIDED QUESTIONS OF LAW.

Petitioner's Question 1 (Pet., p. 5).

This question relates to the construction of patent claims. Petitioner's argument under it (Pet., pp. 8, 9; Pet. Br., p. 13) is really an attack on the validity of the patent and all the decisions which have sustained the patent. Petitioner contends that the words "tempering agent" used in the claim to define one element of the claimed combination is functional and too broad, and that all the courts which have considered the patent erred in construing the claims in accordance with the specification.

In one sense, the expression "tempering agent", like many common words used in patent claims, *e.g.*, clamp, support, emulsifying agent, etc., has a functional significance. The incidental functional significance of such terms has never been held objectionable. It serves merely to rein-

force the established law that identity of mode of operation must be shown to establish infringement (*Machine Co.* v. *Murphy*, 97 U. S. 120, 125; *Bates* v. *Coe*, 98 U. S. 31, 42; *Westinghouse* v. *Boyden Power Brake Co.*, 170 U. S. 537, 568; *Cimiotti Unhairing Co.* v. *Am. Fur Ref. Co.*, 198 U. S. 399, 414; *Sanitary Refrig'r Co.* v. *Winters*, 280 U. S. 30, 40-42; *Smith* v. *Snow*, 294 U. S. 1). Under this rule of law, no stencil sheet which lacked an agent to keep its coating homogeneous and soft enough to be pushed aside by the type could, in any event, have been held to infringe the patent here in suit. Regardless of the language of the claims, the courts were clearly right in comparing the mode of operation of the ingredients of the alleged infringements and those of the specific example of the patent.

But the expression "tempering agent" is not merely functional. After reading the specification, all the courts concluded that tempering agent in the claims does not include everything which might have the effect of preventing the nitrocellulose from drying too hard. They held that this expression was well understood in the art of stencil manufacture, and that it defined the means which the specification described for tempering nitrocellulose in a stencil coating, namely, a large proportion of a material such as an oil (see *ante*, pp. 2-5). Such use of the specification to define the terms used in a claim is a practice which has long been followed by the courts and which has been repeatedly approved by this Court:

> "The claims of a patent are always to be read or interpreted in the light of its specifications, *Hogg* v. *Emerson*, 11 How. 587; *Carnegie Steel Co.* v. *Cambria Iron Co.*, 185 U. S. 403; *Smith* v. *Snow*, 294 U. S. 1." (*Schriber Co.* v. *Cleveland Trust Co.*, 311 U. S. 211, 217.)

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The adoption of this usual method for determining the meaning of an element of a combination specified in a combination claim is in no way in conflict with this Court's decisions in *Holland Furniture Co.* v. *Perkins Glue Co.*, 277 U. S. 245, and *United Carbon Co.* v. *Binney & Smith Co.* 317 U. S. 228, where this Court disapproved attempts to define the entire product claimed solely in terms of what it accomplished.

Petitioner's Question 2 (Pet., p. 5).

Petitioner's objections (Pet., pp. 13-14; Pet. Br., pp. 10, 11) to the findings of fact which the District Court based on the Master's report and its own independent consideration of the record, and which were adopted by the Circuit Court of Appeals are, we believe, fully answered by the findings themselves to be found on pages 1152-1156 of the record. In reference to the findings dealing with infringement, we call attention to this Court's repeated decisions that infringement is a question of fact:

Stilz v. *United States*, 269 U. S. 144, 147;
United States v. *Anciens Etablissements*, 224 U. S. 309, 322;
Coupe v. *Royer*, 155 U. S. 565, 577-580.

It is obviously one of the ultimate facts in a patent infringement case:

U. S. v. *Esnault-Pelterie*, 299 U. S. 201, 205.

In denying the additional findings for which petitioner asked in its motion for a new trial, the Court pointed out not only that the proposed findings related to evidential details, but also that many of them were contrary to the facts established by the evidence (R., pp. 1181-1182).

Petitioner's Questions 3 and 4 (Pet., pp. 5, 6).

These questions—relating to the extent to which a master may go in including in an accounting devices which were not in evidence in court at the time of the trial—are moot questions in the present case. The cases which petitioner cites from different circuits agree that an accounting should include devices within the terms of the decree which are only colorably different from the devices which were before the Court:

First circuit: *L. S. Starrett Co.* v. *Brown & Sharpe Mfg. Co.*, 208 Fed. at page 893;
Second circuit: *Louis Metzger & Co.* v. *Berlin*, 194 Fed. 426;
Third circuit: *Hoe* v. *Scott*, 87 Fed. 220; *Walker Patent Pivoted Bin Co.* v. *Miller et al.*, 146 Fed. at page 251;
Seventh circuit: *Stockham* v. *Duncan*, 226 Fed. 740, 742 (construing *Murray* v. *Orr & Lockett Hardware Co.*, 153 Fed. 369, cited by petitioner);
Eighth circuit: *Flat Slab Patents Co.* v. *Turner*, 285 Fed. at page 272.

This is the ground on which the later infringements were included (Finding 19, R., p. 1155, R., p. 1148). Thus, no legal question as to the general scope of patent accountings is raised herein.

As to the factual question whether the stencil sheets included in the accounting were merely colorably different from the one before the court, it seems unnecessary to present a detailed argument at this time in view of the concurrent findings. Petitioner's statements as to the composition and operation of his later stencil sheets (Pet. Br., pp. 4, 6, 7, 8, 12) are either completely at variance with the

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record or are supported only by statements of petitioner's chemical expert which were discredited in this expert's cross-examination or by other testimony and were not accepted by any of the tribunals below. The statements as to amyl stearate are typical:

Petitioner claims the amyl stearate in his stencils acted in a manner totally different from the "tempering agent" of the patent (Pet. Br., p. 8).

The record shows: Amyl stearate is chemically similar to castor oil (R., pp. 205, 251, 418). Petitioner's expert said that one kind of amyl stearate, pure iso-amyl stearate, was a solid rather than a liquid (R., pp. 401, 582-587, 591), and a solvent rather than a softener for nitrocellulose (R., pp. 225, 596-598). His only basis for claiming that iso-amyl stearate was contained in petitioner's stencil sheets was a smell test (R., pp. 381-383, 622-623) which he admitted to be unreliable (R., pp. 648-649). Such speculative testimony clearly could not overcome the plain testimony of the manufacturer of petitioner's stencil sheets who described the amyl stearate actually used in them as a "liquid" (R., pp. 63, 64) "of an oily nature" (R., p. 64) which "softened" the nitrocellulose (R., p. 37), showing that the amyl stearate actually used in petitioner's stencil sheets was literally within the construction which all the courts had given to the term "tempering agent" in the claims.

Petitioner's Question 5 (Pet., p. 6).

Petitioner bases his argument for deducting his losses from his profits on the fact that infringing business was continuous, and cites a district court case decided on March 8, 1927.

The Circuit Court of Appeals in the present case followed this Court's decision in *Duplate Corp.* v. *Triplex Safety Glass Co.*, 298 U. S. 448, decided on May 18, 1936.

The Duplate case involved a continuous business. The master and the district court followed the rule of the district court decision relied on by petitioner (10 F. Supp. 420, 423). The decision of the master on this point was reversed by the Circuit Court of Appeals for the Third Circuit (81 F. (2d) 352, 354-355). This Court affirmed the decision of the Circuit Court of Appeals on this point (298 U. S. 448, 458) and held that the plaintiff could recover profits without deduction for losses.

This Court's decision in the Duplate case clearly overrules the district court decision relied on by petitioner, and the Circuit Court of Appeals in the present case did not err by following this Court's decision rather than the one which this Court had overruled.

Petitioner's Question 6 (Pet., p. 6).

No question as to whether a corporation not a party defendant can be made to account for its profits is raised in the present case.

The question here presented as to defendant's California business is whether an individual can use the corporate fiction to evade liability for a benefit which he personally has secured from tortious acts which he has personally committed.

The alleged facts stated in petitioner's Question 6 are based solely on uncorroborated testimony of the petitioner which is contradicted by the records of his corporation. They do not include the facts on which the court based its ruling as to the profits of defendant's California business.

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Whatever may have been the motive for organizing the corporation after the grant of a preliminary injunction in the present case, official records show that the petitioner organized it and remained its sole stockholder and president till the end of the accounting period, and that the directors were his employees in charge of his California business (R., pp. 97, 100, 104, 130). The Master found that after the organizing of the corporation "the business nevertheless remained the business of the defendant, Mr. Marr" and

> "There is no question in my mind but that the corporation, insofar as it had any entity separate and distinct from Mr. Marr, merely acted as an agent for Mr. Marr, and that the sales made by the corporation were really Mr. Marr's sales" (R., p. 1088).

This, he summarized by finding

> "the corporation and Marr are really alter egos" (R., p. 1089).

These findings of the Master were confirmed by the testimony of petitioner's accountant who omitted from the account all transactions between petitioner's New York and San Francisco offices as "intercompany" and "interoffice" sales (R., pp. 701, 733, 734) because "No matter what you call each company, it is one company" (R., p. 694). There is no question but that the New York office was the petitioner's personal business and petitioner stipulated that combined overhead costs of the New York and California offices be used rather than separate overhead costs for each, because as his attorney said of record, "it is not to be treated as a separate business but as one business" (R., pp. 837, 838).

Even if petitioner's explanation of the incorporation be accepted, it is evident that any profits realized from petitioner's infringing sales through the corporation would inure to the benefit of petitioner by being applied in deduction of a debt owed by petitioner. The District Court noted that the fact that incorporation was at the request of a creditor was no excuse (R., pp. 1144-1145).

The actual rule of law applied by the courts below was the well established one that "Equity will pierce the customary protective cloak of incorporation when necessary to prevent injustice or fraud." (R., p. 1144). This rule has been repeatedly applied in patent cases:

Westinghouse Electric & Mfg. Co. v. *Allis-Chalmers Co.*, 176 Fed. 362, 367, 368, C. C. A. 3;

Frank F. Smith Co. v. *Yates*, 244 Fed. 793, 795, C. C. A. 2;

Diamond Drill & Machine Co. v. *Kelley Bros. & Spielman*, 130 Fed. 893, affd. 137 Fed. 417, C. C. A. 3.

CONCLUSION.

This case on an expired patent—an award of profits based on concurrent findings of fact—involves no conflict of decisions and no novel question of law.

Respectfully submitted,

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